The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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Demographic Trends . . .

At this time of the year, many businessmen start to plan for the future, focusing mostly on the year ahead. For this planning horizon, the economic forces are already at work, determined to a large extent by current monetary and fiscal policies, an improved employment picture, a lower inflation rate, rising industrial production and the stable oil situation, among others. However, the longer-term scenario will be shaped not only by economic and political forces but also by changing demographics. And while the longer-term economic and political environment is not yet clear, a large part of the future demographic structure of the American population has already been formed.

The average American is getting older, more productive and more affluent primarily as a result of the maturation of the postwar "baby-boom babies." In the next two decades, an increasingly larger segment of the population will be in its peak earning years (35-54 years old), presaging prosperous days ahead. More spending will probably be directed toward discretionary items than before. Marriage and having children are becoming more popular—albeit at a later age than previous generations. The number of preschool children is projected to grow by nearly 20 percent in the 1980s.

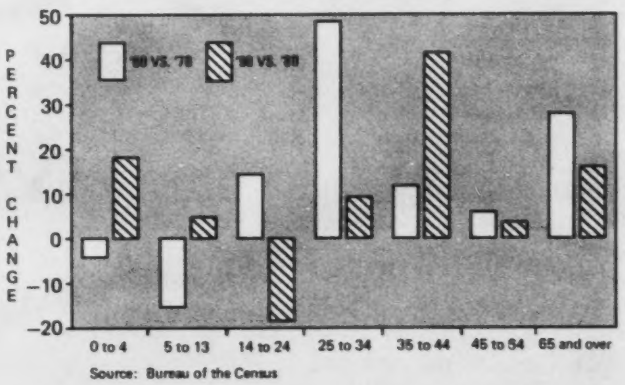
At the same time, teenagers will be a disappearing breed. After growing by 39 percent in the 1960s and only three percent in the 1970s, the number of teenagers in the 1980s will decline by nearly five million. Thus, the need to train large numbers of unskilled workers that plagued industry in the 1970s will soon be greatly reduced. There will be fewer entrants into the labor force (20-24 years old), putting downward pressure on the unemployment rate.

Currently, the country's most dominant and influential age group is the baby boom generation concentrated in the 25-34 year old bracket (see chart). Its share of the total population rose to nearly 17 percent in 1983, compared with only 12.3 percent at the beginning of the last decade. Although its expansion will slow significantly in the latter half of the eighties, between 1983 and 1985 this group will add another two million people to its ranks.

. . . Augur Well . . .

This is expected to have a profound impact on a variety of industries, most importantly automobiles, housing and housing-related durables, because this age group represents the prime purchasers of these items. The most recent survey by the U.S. League of Savings Associations shows that households headed by someone between the ages of 25 and 34 bought almost 45 percent of all single-family homes sold. Thus, if mortgage rates continue to decline, the housing industry seems poised for a healthy boost. Moreover, such related industries as home furnishings, household appliances and, therefore, downstream industries including textiles, chemicals, construction and durable manufacturing will greatly benefit.

PERCENT CHANGE IN POPULATION BY AGE BRACKETS
(ACTUAL AND PROJECTED)



Source: Bureau of the Census

The demand for housing has been intensified by the uptick in both the birth and the fertility rates. After a protracted 20-year decline, the fertility rate (the number of babies born per 1,000 women 15 to 44 years old) bottomed out in 1976, and after several false starts has begun to inch up again. Many women who had postponed childbearing are now having babies. More young women in their thirties are having second thoughts about previous decisions not to have children, while others are opting for a family in addition to a career.

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. . . For Future Economic Progress

Last year, 3.7 million babies were born—the highest yearly total in more than a decade. And with marriage becoming more popular and divorce on the decline—the number of divorces fell in 1982, the first annual drop in 20 years and the trend continued into this year—the birth rate may rise even higher. The Census Bureau projects that the number of women of childbearing age will increase by more than one percent per year until 1985, which is expected to result in a continued rise in the number of annual births.

The rise in the number of babies born each year has already boosted sales of maternity clothes, baby food, drugs, infant clothing, furniture and car seats. For example, sales of baby products which include disposable wipes, baths, oils and creams have been posting impressive gains, increasing by 60 percent during the four years ending in 1982. Meanwhile, overall retail sales increased at half that rate. Unit sales of disposable diapers grew by at least seven percent per year during this period, despite rising prices. What is more, with the recent increased emphasis on early childhood development, educational toys sold very well.

Importantly, over four out of every ten new babies are firstborns, boosting sales of baby-oriented products even higher. In contrast, 20 years ago only one quarter of new babies were first children. Parents, grandparents and relatives usually spend more on firstborns than they do on subsequent

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 11/2/83	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	155.328	– 2.730	+14.105
Loans to Depository Inst.	.445	– .123	– .013
Float	1.149	– .038	– .709
Total Reserve Bank Credit	166.090	– 2.943	+12.460
Treasury Deposits with Federal Reserve Banks	3.923	– 1.906	+ 1.269
Currency Outside Banks	145.240	– .696	+12.780
Member Bank Reserves:			
Required	37.798	– .364	– 2.903
Excess (Deficiency)	.292	– .148	– .250
Total Reserves Held	38.090	– .512	– 3.153
Net Borrowed Reserves	.020	+ .041	+ .373
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	112.132	+ 2.024	+10.738

Monetary Aggregates†		% Change Since Three Months Ago*	% Change Since Year Ago
M1 (10/26/83)	518.3	+ 2.1‡	+ 10.6‡
M2 (September '83)	2,145.1	+ 5.8	+ 11.9
M3 (September '83)	2,543.4	+ 7.1	+ 9.0
Domestic Nonfinancial Debt (2nd Q'83)	4,939.1	+ 11.7	+ 10.3

†Seasonally adjusted.

*Seasonally adjusted annual rate.
‡Four-week moving average.

New York Money Market

Offering Rates 11/10/83	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	8.70%	8.90%	9.00%
* Federal Agencies	9.05	9.30	9.95
* Project Notes—Taxfree (46% Taxable Equivalent)	9.44	9.81	10.65
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	9.37	9.55	10.13

‡Finance Company Paper—Prime		‡* Bankers' Acceptances	
5- 14 days	9.15%	Dec.	9.25%
15- 29 days	9.15	Jan.	9.25
30- 59 days	9.15	Feb.	9.25
60- 89 days	9.15	Mar.	9.30
90-179 days	9.00	Apr.	9.30
180-239 days	8.88	May	9.25
240-270 days	8.88		

‡Industrial Paper—Prime			
30- 89 days	9.15%	†Federal Funds Effective Rate	9.35%
90-120 days	9.15		

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	3rd Q'83	$ 3,363	$ 3,272	$ 3,091
Gross National Product (1972 Dollars)*	3rd Q'83	$ 1,554	$ 1,525	$ 1,486
Percent Change, Annual Rate	3rd Q'83	7.9	9.7	– 1.0
Change in Consumer Prices (new series)*	Sep '83	6.0%	4.8%	1.2%
Change in Producer Prices*	Oct '83n	3.6%	2.4%	4.8%
Civilian Employment (Thousands of Persons)†	Oct '83	101,928	101,945	99,176
Unemployment as % of Civilian Labor Force†	Oct '83	8.8%	9.3%	10.5%
Personal Income*	Sep '83	$ 2,781	$ 2,756	$ 2,597
Leading Indicators Composite Index (1967=100)†	Sep '83	160.2	158.7	137.5
Industrial Production Index (1967=100) †	Sep '83	153.7	151.4	137.3
Net Change in Consumer Installment Credit †	Sep '83n	$ 2.38	$ 3.39	$ 1.26
U.S. Merchandise Trade Balance †	Sep '83	–$ 5.81	–$ 7.19	–$ 4.20
Plant and Equipment Expenditures*	4th Q'83	$326.73(a)	$313.04(a)	$303.18
Private Housing Starts (Thousands of Units)*	Sep '83	1,652	1,909	1,134
New Construction Expenditures*	Sep '83	$ 272.7	$ 274.8	$ 230.7
Total Business Inventories †	Aug '83	$ 512.1	$ 505.8	$ 521.3
Total Business Sales †	Aug '83	$ 373.6	$ 372.4	$ 343.4

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

children who frequently inherit hand-me-downs from older siblings.

But even as more women have decided to become mothers, many are not giving up their careers and are quickly returning to the labor force. Today, about 46 percent of mothers of infants are in the labor force as are two thirds of mothers of children over six years old. If the trend in the number of working mothers continues, the need for children's services and nursery schools will increase dramatically. The Census Bureau believes that the number of children under six will increase by 13 percent between 1983 and 1990.

Over the past 30 years, the number of women in the labor force has nearly tripled. In 1950, only one third of all women were employed outside the home, while today more than one half of all women are either working or actively seeking a job, raising the number of families with employed wives more than threefold in the past 30 years. Many consumer markets are growing along with the rise in the ranks of working women. Such time-saving items as microwave ovens, convenience foods and higher-priced conservative apparel sold well even during the last recession. As an example, unit sales of microwave ovens jumped by a sizable 60 percent during the past three years, despite depressed sales of other household appliances. People's appetites for frozen foods have revived; last year's purchases outpaced overall food sales almost two to one. H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (10/26/83)	87,962	+ 31	–58,686
New York City (10/26/83)	18,499	– 282	–20,269
Commercial Paper (10/26/83)	178,243	+ 49	+ 8,168*

*Series redefined: Data prior to December 1, 1982, are not strictly comparable to the data reported after that date.

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (10/26/83)	215,034	– 415	– 2,508
New York City (10/26/83)	57,188	– 664	– 4,482

Total Loans Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (10/26/83)	516,667	+ 1,316	+13,917
New York City (10/26/83)	118,189	+ 386	– 1,582

Financial Markets

	Thursday 11/10/83	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	9.05%	– .05	+ .75
180-Day Bills†	9.48	– .02	+ .83
Longest Bills†	9.82	– .13	+ 1.12
Recent Issues:			
10½s 10/31/85	10.55	– .15	
11⅛s 9/30/87	11.14	– .11	
11¾s 11/15/93 (When Issued)	11.68	NA	
12s 8/15/13	11.75	– .15	
Municipals:			
Bond Buyer–20 Bond Index*	9.75%	– .04	– .17
Blue List Total ($ Million) (11/4/83)	$1,431	– $ 31	+ $ 310
30-Day Visible Supply ($ Million) (11/4/83)	$2,225	– $255	– $4,091
Total	$3,656	– $286	– $3,781
Corporates:			
Moody's Aa Composite (11/9/83)	12.66%	– .02	+ .16
30-Day Visible Supply ($ Million)	$1,750	+ $325	+ $ 868
Stocks:			
Dow-Jones Averages:			
Industrials	1,235.87	+ 17.58	+ 195.95
Transportation	590.43	+ 3.83	+ 145.59
Utilities	136.71	– 1.87	+ 17.29
65 Stocks	498.01	+ 4.08	+ 91.39
Standard and Poor's 500 Stocks	164.41	+ 1.97	+ 24.88
N.Y.S.E. Composite Index	94.75	+ .98	+ 14.06
N.Y.S.E. Avg. Daily Vol. for Week (000's)	76,682	– 6,668	– 18,078

* 46% Taxable equivalent 18.06%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Thursday 11/10/83	Week Ago
Overnight	9.38%	9.38%
1 month	9.50	9.56
3 month	9.75	9.81
6 month	9.88	9.94
1 year	10.19	10.25
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	11.60%	11.55%
Long Term (7 to 15 yrs.)	11.70	11.65

FOREIGN EXCHANGE SPOT RATES

New York Opening (11/10/83)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.01847	54.13
Canada	.8098	1.2348
Denmark	.1043	9.5900
France	.1234	8.1035
Germany	.3757	2.6617
Italy	.0006194	1614.50
Japan	.004258	234.85
Mexico	.006309	158.50
Netherlands	.3353	2.9823
Switzerland	.4627	2.1612
U.K.	1.4855	.6732

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